GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:713
ANSWERED ON:28.07.2006
STANDARDS FOR TAX DEDUCTION
Singh Shri Prabhunath

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken steps to collect full tax from the employees of private sector who camouflage major portion of their salaries as various allowances;

(b) if so, the details thereof; and

(c) if not, the reasons therefor?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) & (b): With a view to prevent the widespread practice of providing perquisites camouflaged as reimbursements or other miscellaneous expenses to enable the employees to escape/reduce their tax liability, Fringe Benefit Tax has been introduced by Finance Act, 2005 as a surrogate tax on the employer. It is to be levied in respect of fringe benefits provided or deemed to have been provided by an employer to his employees during the previous year @ 30% on the value of such fringe benefits.

(c): In view of (a) and (b) above, does not arise.